

# Committee on the Budget

Jim Nussle, Chairman

United States House of Representatives

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For Immediate Release: March 8, 2001

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## **Treasury: Lowest Income Taxpayers Get Greatest Relief Under Bush Plan**

Today the Department of Treasury released the distribution table for President Bush's tax relief plan which shows that the lowest income taxpayers receive the highest percentage reduction in income tax burden. The table also illustrates how the highest income taxpayers will pay a larger percentage of the tax burden under Bush's plan.

According to the table (attached), families earning between \$30,000 and \$40,000 a year currently pay 2.5% of the total tax burden. After the President's plan is enacted, they will pay only 1.8% of the total tax burden. In fact, millions of the lowest income taxpayers will be taken off the tax rolls completely. That means that a family of four living on \$35,000 a year will no longer have to pay any income taxes.

Conversely, those earning over \$100,000 currently pay 70% of the total tax bill in America. Once the President's plan is enacted their share of the tax burden will increase to 74%.

"The President's tax plan is fair and it gets tax relief to those who need it most," said House Budget Committee Chairman Jim Nussle.

"Under the President's plan, a family of four struggling to live on just \$35,000 a year, will no longer have to send any of that hard-earned money to Washington," said Nussle. "They'll keep that money and decide how to spend it to best fit their family's needs. I don't see how you get any fairer than that."

## Major Individual Income Tax Provisions of the President's Tax Proposal<sup>1</sup>

(2000 Income Levels)

Cash Income Class <sup>2</sup>	Distribution of Proposed Changes in Individual Income Taxes (%)	Distribution of Total Individual Income Taxes <sup>3</sup>		Average Individual Income Taxes With Proposed Changes (\$)	Percent Change in Individual Income Taxes (%)
		Current Law (%)	With Proposed Changes <sup>4</sup> (%)		
0 - 30	9.3	-1.0	-2.8	-457	-136.2
30 - 40	6.5	2.5	1.8	993	-38.3
40 - 50	7.8	4.1	3.4	2,210	-28.0
50 - 75	17.2	12.2	11.3	4,279	-20.8
75 - 100	13.6	12.2	12.0	7,848	-16.3
100 - 200	19.8	27.1	28.3	16,625	-10.7
200 & over	25.4	42.9	45.9	103,931	-8.7
Total <sup>5</sup>	100.0	100.0	100.0	6,322	-14.6

Department of the Treasury  
Office of Tax Analysis

March 8, 2001

<sup>1</sup> The major individual income tax provisions are: i) lower individual income tax rates (lower 39.6 and 36 percent rates to 33 percent, lower 31 and 28 percent rates to 25 percent, and introduce a new 10 percent rate bracket for taxable income (in 2006) under \$6,000 for single filers, \$10,000 for head of household filers, and \$12,000 for joint filers); ii) increase the child credit to \$1,000, raise the income level at which it phases out, and allow the child credit against the AMT; iii) allow a 10% deduction for the earnings of the lower earning spouse (up to \$30,000) in two-earner families; iv) allow taxpayers who do not itemize to deduct charitable contributions up to the amount of the taxpayer's standard deduction; and v) provide a refundable tax credit for individually-purchased health insurance.

<sup>2</sup> Cash Income consists of wages and salaries, net income from a business or farm, taxable and tax-exempt interest, dividends, rental income, realized capital gains, cash transfers from the government, and retirement benefits. Employer contributions for payroll taxes and the federal corporate income tax are added to place cash on a pre-tax basis. Cash income is shown on a family rather than on a tax return basis. The cash incomes of all members of a family are added to arrive at a family's cash income used in the distributions.

<sup>3</sup> The refundable portions of the earned income tax credit (EITC) and the child credit are included in the individual income tax. Federal taxes are estimated at 2000 income levels but assuming fully phased in law and, therefore, exclude provisions that expire prior to the end of the Budget period and are adjusted for the effects of unindexed parameters.

<sup>4</sup> The change in Federal taxes is estimated at 2000 income levels assuming fully phased in law.

<sup>5</sup> Families with negative incomes are excluded from the lowest income class but included in the total line.